



295 North Maple Avenue
Basking Ridge, NJ 07920

April 22, 1999

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: Ex Parte Presentation
CC Docket No. 96-45 – Universal Service/Proxy Cost Models
CC Docket No. 97-160 – Forward-Looking Cost Mechanism

Dear Ms. Salas:

On April 15, 1999, I sent the attached e-mail message to Bob Loube of the Commission's Accounting Policy Division. Accompanying this message was an Excel file (diskette attached) that allows correct Annual Charge Factors (ACFs) to be calculated for the ANNCHG sheet of the Synthesis Model's Inputs workbook. This sheet has been parameterized to generate ACFs based on the straight-line/square life depreciation process used by older versions of the HAI expense modules. Use of a current HAI expense module will provide ACFs that incorporate accelerated tax depreciation and Equal Life Group regulatory depreciation.

AT&T and MCI WorldCom also wish to report that while the 4/6/99 version of the Synthesis Model does appear to have revised its clustering algorithm in a desirable fashion, its algorithm intended to determine optimally which clusters should be served on digital loop carrier versus copper, and its algorithm intended to determine optimally the fractions employed of each OSP structure type, still appear not to be functioning correctly – as outlined in our *ex parte* submission of March 30, 1999. Some of these concerns may have been addressed in the 4/20/99 release of the model. We will report shortly on what we observe in our testing of this new version.

AT&T and MCI WorldCom remain concerned that the embedded depreciation data that the Commission proposes to use as a basis for determining forward-looking end office switching costs may not be being properly adjusted for time trends – as evidenced by the poor statistical identification of its reciprocal time specification. To evaluate the validity of the switching cost inputs generated by this proposed process, we recommend that the Commission inspect some of the most recent contracts between switch vendors and major ILECs. For example, "The Nortel Service agreement," between GTE and Nortel may be particularly instructive as to both current price levels and price structures

for end office switches. We attach GTE-Southwest's reference to this agreement in the Public Utility Commission of Texas' Docket No. 16300 to assist the Commission in locating the proper document. Also revealing are Ameritech's Switch Vendor Agreements with Lucent, Nortel and Siemens, filed as Exhibit ATAM001 in Michigan Public Service Commission Case No. U-11831.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules. A copy of the diskette is being provided to ITS.

Sincerely,

Richard N. Clarke /ha

Richard N. Clarke

Attachments
Diskette

cc: (w/o diskette)

Craig Brown	Chuck Keller	Mark Kennet	Katie King
Bob Loube	Jeff Prisbrey	Bill Sharkey	Richard Smith
James Eisner	Jim Zolnierak	Don Stockdale	Richard Cameron
Lisa Zaina	Abdel Eqab	Sheryl Todd	

Clarke,Richard N - LGA

From: Clarke,Richard N - LGA
Sent: Thursday, April 15, 1999 4:50 PM
To: 'Loube, Robert'
Cc: Lieberman,Michael - LGA; 'Frentrup, Christopher J'
Subject: Annual Charge Factors

Bob:

The attached workbook allows you to calculate Annual Charge Factors for use in the HCPM's optimization routines. I have parameterized the values to an 11.25% ROR, used our default depreciation lives and net salvages, and set the calculations to assume straight line depreciation for both regulatory and tax purposes. You will need to add the expense factors to the capital charge factors to come up with an overall ACF.

Worksheet tabs:

Inputs:

Use to adjust cost of capital parameters, depreciation rates and choice of regulatory and tax depreciation methods.

KF:

Column L is the location to where calculated Kapital Annual Charge Factors (KACFs) are output.

ANNCHG:

Adds together the KACFs from the KF sheet and expense factors (from either ratio-calculated amounts or hardwired entries) to derive Annual Charge Factors to be used in HCPM outside plant optimizations.

Rich



ANNCHG_Develop.zip

PUBLIC UTILITY COMMISSION OF TEXAS
GTE SOUTHWEST, INCORPORATED'S RESPONSES TO
AT&T COMMUNICATIONS OF THE SOUTHWEST, INC.'S
THIRTY-EIGHTH SET OF REQUESTS FOR INFORMATION
DOCKET NO. 16300

TOPIC: Switching

CP-38-1 Please provide any and all letters, agreements or contracts that could affect prices GTE could expect to pay for switch equipment that have not already been provided in the August filing.

A. The Nortel Service agreement is attached (Attachment CP-38-1).

Attachment CP-38-1 is confidential and is being provided under seal in accordance with the terms of the protective order in this docket.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to consider the total service long run incremental)
costs for all access, toll, and local exchange) Case No. U-11831
services provided by AMERITECH MICHIGAN.)

**AMERITECH MICHIGAN'S SUPPLEMENTAL RESPONSE
TO AT & T'S FIRST DISCOVERY REQUEST**

atam#1

Ameritech Michigan
Case No. U-11831
Of: AT&T
No: First
Date: February 8, 1999

ATAM001

Please provide a copy of all contracts or other agreements by which Ameritech obtains switching equipment from its vendors, including but not limited to all contracts or agreements reviewed by Dr. Harris in support of his testimony. This request includes all attachments, amendments or other documents referenced by each contract or agreement.

Response

Ameritech's Switch Vendor Agreements with Lucent and Siemens are available for review on a confidential basis for those parties with executed third party agreements, at the office of Dickinson-Wright PLLC, 215 South Washington, Suite 200, Lansing, Michigan.

Ameritech is still awaiting a response from Nortel regarding a third party agreement.

Supplemental Response

The response to this interrogatory is confidential. Ameritech's Switch Vendor Agreements with Nortel, Lucent and Siemens are available for review on a confidential basis for those parties with executed third party agreements, at the office of Dickinson-Wright PLLC, 215 South Washington, Suite 200, Lansing, Michigan.

Respondent: Harris, Counsel

atam#1

ATAMOOI

*Lucent, Nortel, Lucent
Contracts*

CONFIDENTIAL
SUBJECT TO
PROTECTIVE ORDER
IN CASE NO. U-11231

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

- o An oversize page or document (such as a map) which was too large to be scanned into the ECFS system.

- o Microfilm, microform, certain photographs or videotape.

- Other materials which, for one reason or another, could not be scanned into the ECFS system.

The actual document, page(s) or materials may be reviewed by contacting an Information Technician. Please note the applicable docket or rulemaking number, document type and any other relevant information about the document in order to ensure speedy retrieval by the Information Technician.

*For diskette see docket #
96-45.*